


The Great Atlantic & Pacific Tea Company, Inc.

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE



ANNUAL REPORT
1964
FOR FISCAL YEAR ENDED
FEBRUARY 27, 1965

TARGET FOR

1965 



MANAGEMENT'S PRIMARY OBJECTIVE during the current fiscal year is the further development of an in-store personality and appearance that will be more pleasing, more attractive and more magnetic than anything ever offered to the American consumer.

A Company-wide concentration on every service and facility, from courtesy to cleanliness, is the order of the day.

Initial efforts to attain these goals already have inspired a number of complimentary letters. Our Organization is looking for TOTAL customer satisfaction.

The Company recognizes the importance of good quality and low prices — the basic ingredients that have made A&P the foremost food retailer in the world — but it also knows that the American housewife is giving an increased measure of attention to many other factors in choosing a place to shop.

She wants, and is entitled to, courtesy from a team of neat and knowledgeable store personnel. She looks for shelves that are adequately stocked with a substantial variety of fresh merchandise. She expects clean floors, uncluttered aisles, orderly arrangement of perishables and a friendly atmosphere.

A&P intends to give her all of this — and more.

This is the goal that has been established for A&P stores.

THIS IS TARGET 1965.

HIGHLIGHTS AT A GLANCE



FOR THE FISCAL YEAR ENDED

	Feb. 27, 1965 (52 weeks)	Feb. 29, 1964 (53 weeks)	Feb. 23, 1963 (52 weeks)
Sales	\$5,079,564,200	\$5,189,188,400	\$5,310,544,400
Income before provision for income taxes . . .	98,632,900	108,989,400	126,606,400
Provision for United States and foreign income taxes	46,500,000	51,500,000	66,400,000
Net income	52,132,900	57,489,400	60,206,400
Per share*	2.12	2.34	2.45
Per cent of sales	1.03%	1.11%	1.13%
Cash dividends paid	36,420,500	35,995,200	39,930,300
Per share	1.50	1.50	1.70
Stock dividend at market value	10,043,900	9,627,900	19,468,000
Additions to property, equipment and fixtures . .	60,255,800	49,121,500	69,182,700
Depreciation and amortization	41,995,800	42,706,800	43,734,200

AT YEAR-END

Working capital	\$ 290,998,000	\$ 289,187,400	\$ 277,970,000
Ratio of current assets to current liabilities . . .	2.33	2.34	2.25
Property, equipment and fixtures less accumulated depreciation and amortization	280,092,300	262,706,300	248,247,300
Stockholders' equity	576,321,100	559,144,500	536,404,300
Per share*	23.48	22.78	21.86
Number of stores	4,585	4,519	4,475

*Based on 24,540,839 shares outstanding at February 27, 1965

NOTICE OF ANNUAL MEETING:

The Annual Meeting of Stockholders will be held on Tuesday, June 15, 1965 at 10:30 a.m. (E.D.T.) in the Biltmore Hotel, New York, New York.

To Our Stockholders

The fiscal year ended February 27, 1965 was not as good a year as we had anticipated although it was one of the best performances in the Company's 105-year history.

There was a great deal of encouragement in the fact that the downward trend was arrested and the performance for the last half of the year was better than that for the same period in 1963. We expect this upward trend to continue.

Financial tables reproduced elsewhere in this Report tell part of the story. These tabulations disclose that the sales and profit pace for the 52-week period approximated that of the previous fiscal year when one takes into account that the Report for 1963 included a 53rd week and a non-recurring income credit.

The financial statements, of course, do not show the management changes made by the Board of Directors to strengthen the productive capacity of the organization. We have no doubt that these changes can and will improve the Company's competitive position.

Stockholder dividends declared by the Board during the year were similar to those voted in 1963, including four quarterly cash dividends of 30 cents per share, plus a year-end "extra" cash dividend of 30 cents and a one per cent stock dividend.



Chairman of the Board John D. Ehrgott (right) reviews the Company's operations with Byron Jay, president.

We have started the new year with confidence and we have every reason to believe that results will be favorable. Our long-range programs in the areas of store development, modernization, personnel training and research and development already are helping us to gain some new patronage.

Our confidence for improvement in 1965 and the years immediately ahead stems from our conviction that the policies established by the founder in 1859, tailored to conform to modern-day standards, will serve to strengthen this Company's position of leadership. We are dedicated to that goal.

For the Board of Directors,

J. B. Engelt

Chairman of the Board

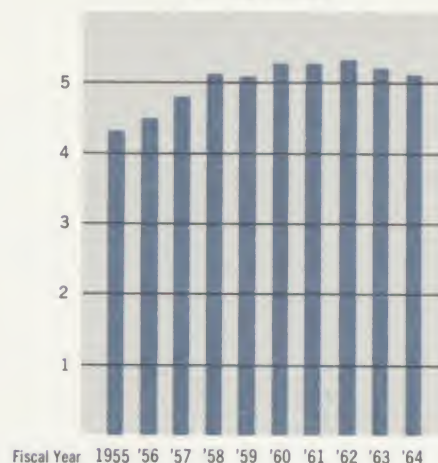
B. J. Fay

President

May 11, 1965

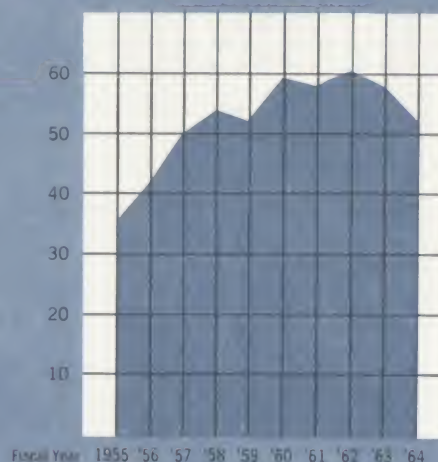
SALES

Billions of Dollars



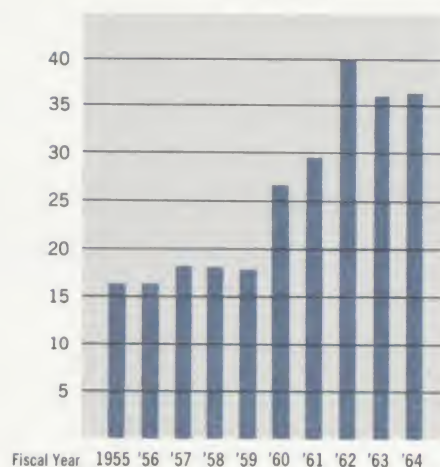
NET INCOME

Millions of Dollars



CASH DIVIDENDS

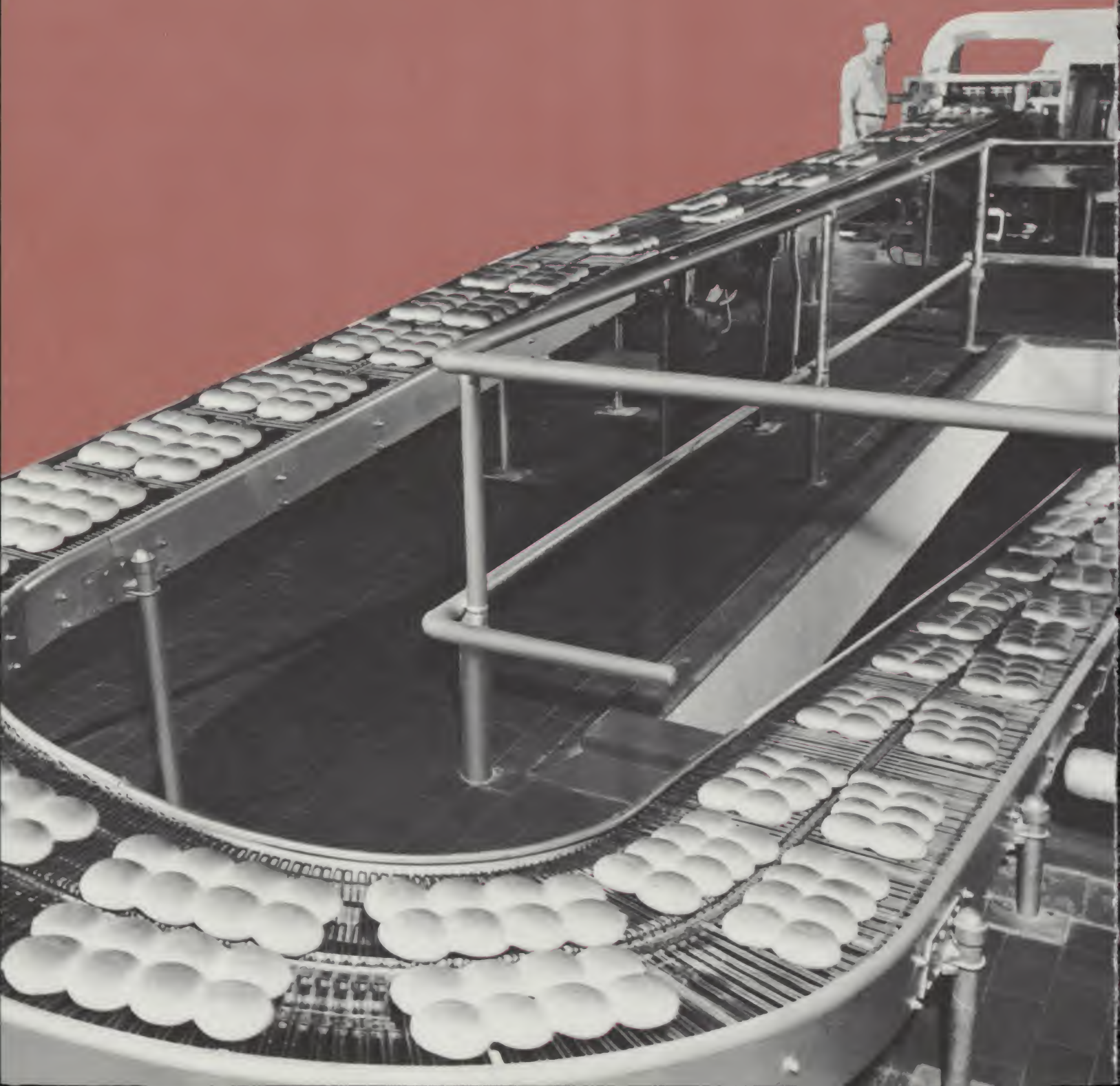
Millions of Dollars



1958 and 1963 were 53-week fiscal years.



DEVELOPMENT:



People and Places



Automatic conveyors (left) carry freshly baked rolls from the giant stainless steel ovens at the new Jane Parker bakery in Flushing, L. I. to the packaging room for shipment to A&P Food Stores.

Food chemists and technicians (above) carefully check samples from each production run to make certain they conform to the high quality standards of A&P's Ann Page Division.

Regular monthly conferences (right) between Jane Parker bakery employees and management help to promote better understanding of customer requirements, safety, production methods and sanitation.

YEAR IN REVIEW

An accelerated development program designed to revitalize both goods and services was undertaken by A&P during the fiscal period covered in this Report.

Among the objectives that were attained during the year were the expansion of personnel training programs and the establishment of pilot employee-management conferences. Consolidation of some manufacturing operations reduced production costs with minimal relocation problems.

The Company's long-range program to modernize its production and retailing facilities was continued. Several new distribution centers were opened and the number of stores increased to 4,585, a new high mark for the super market era. In addition to the opening of 185 new stores for a net increase of 66, there were 521 major remodeling projects that effected a "new-store look" in over 10 per cent of the Company's retail outlets.

One major new manufacturing facility, the \$16-million Jane Parker Bakery in Flushing, Queens, N. Y., was completed and opened. Construction work on the \$25-million Ann Page processing and manufacturing plant at Horseheads, N. Y., near Elmira, is "on schedule" and limited production is expected to start soon.

Several executive management changes were announced during 1964 and two others have been made since the start of the new fiscal year.

The development of A&P's major tools—people and physical facilities—is being maintained at a healthy pace.

NATIONAL BAKERY DIVISION

Moving toward greater efficiency in its operations, our National Bakery Division consolidated several of its bakeries into newer and larger plants better equipped to serve A&P customers. Such moves during the past year not only increased our productive capacity and improved our general operating efficiency but also resulted in substantial savings to the Company.

At the same time, plans for one new bakery as well as the modernization and expansion of some existing facilities were completed and are now moving into the construction stage. Most of these will be completed during



the current year. These facilities are expected to step up capacity in areas where there has been particularly strong indication of growing consumer acceptance of Jane Parker products.

Similar acceptance of A&P brand frozen bakery foods, first introduced in 1963, has resulted in a continued growth of this line which now includes more than 15 items. Several of our bakeries are now equipped with blast freezer units to expedite the handling of this increasingly popular line of fine baked foods.

Research and development, which have characterized this Division's progress since its inception, achieved a major milestone in the baking industry with the development of the first "Cryotransfer" liquid nitrogen freezing unit for preserving the quality and oven-freshness of baked goods.

The new freezer, which was developed by A&P and General Dynamics' Liquid Carbonic Division, will enable our new Flushing, Long Island bakery to "lock in" the flavor and freshness of the product within 90 seconds after it emerges from the oven. The "locking in" is made possible by the liquid nitrogen's extremely low temperature of -320°F . When defrosted, the product will be virtually oven-fresh.

ANN PAGE DIVISION

Ann Page, long the identifying brand of the Quaker Maid Division, was adopted as the Division's new name during the past year in a move to bring about closer identification of the Division with its principal line of products.

The Ann Page Division also was increasingly active in 1964 in expanding and diversifying its quality line of merchandise. The development of "Bonesse," a hair shampoo, marked the Company's first venture into the health and beauty aids field. A number of other products are under consideration.

The new food processing plant at Horseheads is moving rapidly toward completion and the facility is expected to be in operation late this year or early in 1966. John R. Vreeland, manager of the Bush Terminal plant in Brooklyn, was appointed general manager of the Horseheads operation and C. J. Hensley, Brockport plant manager, was named assistant general manager.

In preparation for the opening of this plant, which covers approximately 35 acres of manufacturing and warehousing area, a training program for employees was initiated in temporary quarters at the Horseheads Holding Center. This group of trainees will form the nucleus of the work force of 2,000 men and women to be employed in the new building.

Candy will be the first item produced in the new plant, and equipment for its production is being installed in the new building. Actual production is expected to begin shortly and the extensive line of candy manufactured here will be shipped to all A&P Food Stores throughout the nation.

Original plans for the Ann Page plant were expanded during the year to include the manufacture of sanitary type cans which will be used at Horseheads. A can line will be set up in the plant and will supply many of the



A&P's new Flushing, L. I. Jane Parker bakery (above), one of the most modern bread and pastry plants in the world, turns out a steady stream of delicious pies to satisfy the appetites of A&P customers in the metropolitan New York area.

Management workshops (right) train store managers, supervisors and key executives to do a better job for our customers, the Company and themselves.

The first "Cryotransfer" liquid nitrogen freezing unit (below) for preserving the oven-freshness of baked foods by "locking in" the flavor at -320°F . was developed by A&P and General Dynamics Corp.





sizes required. However, some sizes will still be purchased from suppliers. A similar can line was installed at the Brockport plant where the Company's brands of spaghetti, pork and beans and similar products are processed.

MANPOWER DEVELOPMENT

As part of our manpower development program during 1964, the Company conducted a series of training sessions in which approximately 3,500 store managers, supervisors and key executives participated. These workshop programs were aimed at improving job performance, developing better customer relations and expanding executive talents.

Additionally, the Company expanded its courtesy program to assure customers of the highest level of service and courtesy, and continued its program for the development of supervisory and administrative personnel.

Our National Bakery Division has instituted regular monthly employee-management conferences to acquaint its bakery personnel with a wide variety of subjects including quality control, customer requirements, sanitation, job performance, safety, production methods and new merchandise. Such meetings have proved very helpful in promoting better understanding of problems of mutual interest to employees and the Company.

EXECUTIVE CHANGES

At a meeting of the Board following the last annual meeting, Byron Jay, president of the Central Western Division, was elected president of the Company.

Mr. Jay succeeded Melvin W. Alldredge, who was elected vice chairman to replace Frank H. Bucher, who earlier announced he planned to retire and would not stand for re-election.

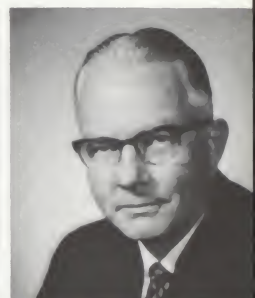
O. Philip Nyquist, vice president of the Detroit Unit, was elected president of the Central Western Division, replacing Mr. Jay.

At the conclusion of the fiscal year, John D. Ehrgott relinquished his post as chief executive officer but continued as chairman of the Board. Mr. Jay was named chief executive officer.

Shortly after the fiscal year ended, William E. Ayres, executive vice president of the Central Division, was elected president of that Division to fill the vacancy resulting from the death of William A. Donahoe on March 14. Mr. Nyquist was elected to succeed Mr. Donahoe on the Board.



In new management roles are William E. Ayres (left), who was elected president of the Central Division, and O. Philip Nyquist, who was elected to the Board.



STATEMENT OF SOURCE AND USE OF FUNDS

(In Thousands of Dollars)

FUNDS PROVIDED FROM:	52 Weeks to February 27, 1965
Operations:	
Net income	\$ 52,133
Charges to income not requiring funds:	
Depreciation and amortization	41,996
Provision for deferred investment credit — net	1,656
Miscellaneous	364
Funds provided from operations	96,149
Sale of stock under stock option plan	1,464
Total funds provided	<u>97,613</u>
 FUNDS USED FOR:	
Cash dividends	36,420
Additions to property, equipment and fixtures	60,256
Net book value of property sold or retired	(874)
Total funds used	<u>95,802</u>
INCREASE IN WORKING CAPITAL	1,811
WORKING CAPITAL AT BEGINNING OF PERIOD	289,187
WORKING CAPITAL AT END OF PERIOD	<u>\$290,998</u>

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL NEWARK BUILDING
NEWARK 07102

ACCOUNTANTS' OPINION

To the Board of Directors and Stockholders of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 27, 1965, and the related statements of consolidated income and earned surplus and of source and use of funds for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies as of February 27, 1965 and the results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period; and the accompanying statement of source and use of funds presents fairly the information shown therein.

May 3, 1965.

Haskins & Sells



THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.
and Subsidiary Companies

*Statement of Consolidated Income
and Earned Surplus*

FOR THE PERIODS ENDED FEBRUARY 27, 1965 AND FEBRUARY 29, 1964

	52 Weeks to Feb. 27, 1965	53 Weeks to Feb. 29, 1964
Sales	\$5,079,564,213	\$5,189,188,382
Cost of merchandise sold	<u>4,141,370,714</u>	<u>4,248,413,043</u>
Gross profit	938,193,499	940,775,339
Store operating, general and administrative expenses	<u>842,078,599</u>	<u>837,280,145</u>
Profit from operations	96,114,900	103,495,194
Income credits:		
Adjustment of store property and related reserve for depreciation to conform to Federal income tax basis, less related income tax, \$4,200,000		3,610,000
Other — net	<u>2,517,979</u>	<u>1,884,188</u>
	98,632,879	108,989,382
United States and foreign income taxes (including a provision for net deferred investment credit — 1965, \$1,656,000; 1964, \$2,165,000)	<u>46,500,000</u>	<u>51,500,000</u>
Net income	52,132,879	57,489,382
Earned surplus at beginning of period	<u>178,871,712</u>	<u>167,005,373</u>
	<u>231,004,591</u>	<u>224,494,755</u>
Deduct:		
Cash dividends — \$1.50 a share	36,420,480	35,995,153
Stock dividends — 1%:		
Par value of shares issued	242,958	240,097
Excess of market value over par value of shares issued — transfer to capital surplus	<u>9,800,926</u>	<u>9,387,793</u>
	<u>46,464,364</u>	<u>45,623,043</u>
Earned surplus at end of period	<u>\$ 184,540,227</u>	<u>\$ 178,871,712</u>

See the accompanying Notes to Financial Statements

Consolidated Balance Sheet

FEBRUARY 27, 1965 AND FEBRUARY 29, 1964

ASSETS

CURRENT ASSETS:

	February 27, 1965	February 29, 1964
Cash	\$114,504,258	\$135,941,469
Temporary investments in government obligations and short-term paper — at cost	27,604,805	24,369,650
Accounts receivable	13,245,696	13,212,231
Merchandise and supplies (at the lower of cost or market)	354,188,287	331,906,697
Current assets	<u>509,543,046</u>	<u>505,430,047</u>

PROPERTY, EQUIPMENT AND FIXTURES:

Land, at cost	4,124,986	3,002,362
Buildings, at cost less accumulated depreciation — 1965, \$6,698,292; 1964, \$6,394,562	25,852,007	8,011,663
Equipment, at cost less accumulated depreciation — 1965, \$145,472,117; 1964, \$132,668,622	174,941,284	175,347,423
Store fixtures, at amortized cost	<u>75,174,072</u>	<u>76,344,833</u>
Property, equipment and fixtures — net	<u>280,092,349</u>	<u>262,706,281</u>

DEFERRED CHARGES	17,616,813	18,392,841
	<u>\$807,252,208</u>	<u>\$786,529,169</u>

See the accompanying Notes

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.
and Subsidiary Companies

LIABILITIES

	<u>February 27, 1965</u>	<u>February 29, 1964</u>
CURRENT LIABILITIES:		
Accounts payable	\$153,725,363	\$151,672,293
Accrued accounts:		
United States and foreign income taxes	26,388,371	26,534,818
Other taxes, salaries, etc.	<u>38,431,279</u>	<u>38,035,575</u>
Current liabilities	<u>218,545,013</u>	<u>216,242,686</u>
 DEFERRED INVESTMENT CREDIT, RESERVES FOR SELF-INSURANCE, ETC.	 <u>12,386,112</u>	 <u>11,142,010</u>
 STOCKHOLDERS' EQUITY:		
Common stock — \$1 par value; authorized 28,000,000 shares; issued 1965, 24,540,839 shares; 1964, 24,250,901 shares	 24,540,839	 24,250,901
Capital surplus	367,240,017	356,021,860
Earned surplus	<u>184,540,227</u>	<u>178,871,712</u>
Stockholders' equity	576,321,083	559,144,473
	<u><u>\$807,252,208</u></u>	<u><u>\$786,529,169</u></u>



Notes to Financial Statements

PROPERTY: The investment credit applicable to property acquired is being amortized over the estimated useful lives of the assets. Cost and expenses include depreciation and amortization of \$41,995,800 and \$42,706,800 for the periods ended February 27, 1965 and February 29, 1964, respectively.

STOCK OPTIONS: The stock option plan approved by the stockholders on June 21, 1960 provided that executives and key employees may be granted options to purchase stock of the Company at the fair market value of the stock on the date of grant.

Proceeds from the 46,980 shares purchased during the year amounted to \$1,464,211, of which \$46,980 was credited to capital stock and \$1,417,231 to capital surplus.

366,247 shares of the Company's unissued stock are reserved for issuance under the plan, of which 136,792 shares are available for immediate purchase, 9,306 shares are available for purchase at various dates after February 27, 1965, and 220,149 shares have not been allotted and are available for future grants.

At February 27, 1965, after adjustment for stock dividends and cancellations, the status of the plan was as follows:

	Options Granted	
	<u>Oct. 17, 1960</u>	<u>Jan. 24, 1963</u>
Shares purchased to February 27, 1965	173,942	None
Available for purchase under outstanding options	122,842	23,256
Shares allotted	<u>296,784</u>	<u>23,256</u>
Present purchase price per share	\$30.87	\$42.89

RETIREMENT PLAN: Under the terms of the Employees' Retirement Plans, non-contributory retirement benefits are provided for eligible employees. Contributions by the companies were \$25,775,000 and \$26,419,000 for the periods ended February 27, 1965 and February 29, 1964, respectively. It is estimated by the Company's independent consulting actuary that the total assets of the retirement plans as of December 31, 1964 were sufficient to cover the single sum actuarial liabilities for benefits accrued to that date.

LONG-TERM LEASES AND OTHER MATTERS: Most operations of the companies are conducted in leased premises. There were approximately 4,860 leases in force on February 27, 1965 (exclusive of premises where operations had not commenced) that were, in general, for periods not exceeding ten years. The current annual rental of these premises is approximately \$85,500,000.

Since February 27, 1965 the companies' modernization program has involved the customary substantial expenditures, made or to be made, for new store leases, equipment and inventories.

Directors

*MELVIN W. ALLDREDGE

ANTHONY A. BLISS

R. MANNING BROWN, JR.

JOHN T. CAHILL

FRED E. CAMPBELL

LAWRENCE M. CAZAYOUX

ROY C. COLLINS

WILLIAM CORBUS

DONALD KIRK DAVID

*JOHN D. EHRGOTT

*HAROLD D. HOAG

*BYRON JAY

*WILLIAM J. KANE

WILLIAM F. LEACH

EDWARD A. LE PAGE

O. PHILIP NYQUIST

GWILYM A. PRICE

*JOHN M. SCHIFF

*DAVID SHER

JOHN ELLIOT SLATER

ROBERT M. SMITH

EDWARD J. VOGEL

DIRECTOR EMERITUS

OLIVER C. ADAMS

*Members of Executive Committee

Officers

JOHN D. EHRGOTT
Chairman of the Board

BYRON JAY
President

MELVIN W. ALLDREDGE
Vice Chairman

LAWRENCE M. CAZAYOUX
Vice President

WILLIAM J. KANE
Vice President

WILLIAM F. LEACH
Vice President

ROBERT M. SMITH
Vice President

EDWARD J. VOGEL
Vice President

HAROLD D. HOAG
Vice President and Treasurer

FRED E. CAMPBELL
Secretary and General Counsel

TRANSFER AGENT
Morgan Guaranty Trust
Company of New York
New York, New York

EXECUTIVE OFFICES
420 Lexington Avenue
New York, N.Y. 10017

REGISTRAR
First National City Bank
New York, New York

